

**DEPARTMENT OF COMMUNITY HEALTH
P.A. 519 of 2002**

FULL-TIME EQUATED (FTE) POSITIONS/ FUNDING SOURCE	FY 2001-02 YEAR-TO-DATE	FY 2002-03 GOV'S REC.	FY 2002-03 YEAR-TO-DATE	CHANGES FROM FY 2001-02 YEAR-TO-DATE	
				AMOUNT	PERCENT
FTE Positions	6,201.1	5,666.3	5,674.3	(526.8)	(8.5)
GROSS	9,137,396,900	9,155,663,800	9,397,514,700	260,117,800	2.8
Less:					
Interdepartmental Grants Received	74,507,400	69,172,900	69,172,900	(5,334,500)	(7.2)
ADJUSTED GROSS	9,062,889,500	9,086,490,900	9,328,341,800	265,452,300	2.9
Less:					
Federal Funds	4,763,625,700	4,801,713,100	5,002,000,200	238,374,500	5.0
Local and Private	1,234,347,000	1,128,388,500	1,011,321,200	(223,025,800)	(18.1)
TOTAL STATE SPENDING	3,064,916,800	3,156,389,300	3,315,020,400	250,103,600	8.2
Less:					
Other State Restricted Funds	566,701,000	593,328,200	774,821,500	208,120,500	36.7
GENERAL FUND/GENERAL PURPOSE ..	2,498,215,800	2,563,061,100	2,540,198,900	41,983,100	1.7
PAYMENTS TO LOCALS	997,238,400	1,001,418,200	1,085,117,300	87,878,900	8.8

**FY 2002-03
Change from
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A. GENERAL ISSUES

1.	Medicaid Match Rate Change	Gross	0
	The enacted FY 2002-03 budget includes additional GF/GP funding due to a decrease in the Federal Medicaid match rate from 56.36% to 55.42%.	Federal	(64,522,800)
		GF/GP	64,522,800
2.	Healthy Michigan Fund	Gross	814,200
	The budget reflects continuation funding for most Healthy Michigan Fund (HMF) programs, with an increase in funding for the so-called MOMs program, formerly the MICHCARE program.	Restricted	1,420,100
		GF/GP	(605,900)
3.	Medicaid Expansion	Gross	112,932,300
	The budget includes funding for an expansion of Medicaid eligibility through the aggressive use of allocated but previously unused Federal funds. Part of the cost of this program is financed from GF/GP savings due to the shift of some Community Mental Health (CMH) non-Medicaid eligible individuals to Medicaid eligibility. Some of the GF/GP savings is used to provide a 3.7% increase in CMH Medicaid capitation rates. As part of his veto message, the Governor stated that the Medicaid expansion would be put on hold until the budgetary situation stabilized.	Federal	112,932,300
		GF/GP	0
4.	Early Retirement and Budgetary Savings	Gross	(31,024,300)
	The budget includes assumed savings from early retirement and from a 1% across-the-board budgetary savings line item.	GF/GP	(31,024,300)
5.	Annualization of FY 2001-02 Savings	FTE	(29.8)
	The budget includes savings from the annualization of budgetary savings, Executive Order 2001-9 reductions, and the FY 2001-02 pharmaceutical cost containment initiative.	Gross	(38,824,300)
		Federal	(22,155,100)
		Private	1,614,000
		Restricted	(1,677,800)
		GF/GP	(16,605,400)

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6. Federal Funds

Due to a large increase in Federal funds received late in FY 2001-02, the net change in Federal funds for FY 2002-03 at this point is negative. It is expected that as the Federal budget for FY 2002-03 is finalized, Federal funding will increase. The changes reflected here include staffing for the state's antibioterrorism efforts.

FTE	33.0
Gross	(36,455,200)
Federal	(36,455,200)
GF/GP	0

B. MENTAL HEALTH

1. Community Mental Health Medicaid Base Funding

Due to an increase in Medicaid caseload and case mix, the budget includes additional funding for CMH Medicaid.

Gross	20,424,000
Federal	11,172,600
GF/GP	9,251,400

2. Community Mental Health Provider Assessment

The budget includes revenue from a provider assessment of 6% on CMH boards. The budget also includes a large CMH Medicaid rate increase. Due to newly issued Federal regulations barring such an assessment on CMH boards, the assessment and provider increase were vetoed by the Governor.

Gross	188,027,600
Federal	104,204,900
Restricted	128,500,000
GF/GP	(44,677,300)

3. Mental Health Facilities Funding

The budget includes typical annual adjustments reflecting actual staff on board and actual costs incurred by the State's mental health facilities and related services, including forensic services provided under contract with the Department of Corrections.

FTE	(357.0)
Gross	(10,435,000)
IDG	(6,201,300)
Federal	(5,906,900)
Local	2,204,700
Restricted	(603,100)
GF/GP	71,600

C. LOCAL PUBLIC HEALTH OPERATIONS

The budget does not include the proposed 5% increase for this line item.

Gross	0
GF/GP	0

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D. MEDICAL SERVICES (MEDICAID)

1. Medicaid Base Funding	Gross	122,146,900
	Federal	63,697,000
	GF/GP	58,449,900
	The budget includes base adjustments to the major Medicaid accounts, including Adult Home Help and Children's Special Health Care Services.	
2. Use of Medicaid Trust Fund	Gross	0
	Restricted	47,662,400
	GF/GP	(47,662,400)
3. Medicaid Special Financing	The budget reflects the use of over \$286 million in Medicaid Trust Fund dollars, up from the amount to be used in FY 2001-02.	
	Gross	(78,170,700)
	Federal	(43,322,200)
	Local	(108,888,200)
	Restricted	30,424,100
	Tobacco	(2,792,800)
4. Long-Term Care Screening	GF/GP	46,408,400
	Gross	(22,431,600)
	Federal	(12,431,600)
	GF/GP	(10,000,000)
5. Provider Assessments	The budget assumes savings from the implementation of a new long-term care services screening tool, which is expected to result in more appropriate placements for clients.	
	Gross	348,980,600
	Federal	193,168,700
	Restricted	192,788,300
The budget includes revenue from provider assessments for health maintenance organizations (HMOs), nursing homes, and hospitals. In conjunction with these assessments, the Medicaid rates paid to HMOs, nursing homes, and hospitals will go up by an average net increase of 7%, 5% and 6% respectively.		GF/GP (36,976,400)

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6. Effect of Public Act 303 of 2002 and Public Act 304 of 2002

Funding for long-term care services and health maintenance organizations was appropriated in Public Acts 303 and 304 of 2002. These Acts provided statutory authorization for the nursing home and HMO assessments. Combined with the already existing appropriation for these services, this led to a double appropriation; an issue that was settled through vetoes (see items 1 through 5 under Vetoes).

Gross	2,945,785,000
Federal	1,631,618,100
Local	8,445,100
Restricted	100,576,000
GF/GP	1,205,145,800

E. PROGRAM TRANSFERS

The budget reflects the transfer of the School Health Program, commonly known as the Michigan Model, to the School Aid budget.

Gross	(3,180,000)
Restricted	(1,180,000)
GF/GP	(2,000,000)

F. UNCLASSIFIED SALARIES

The budget includes a 2% increase for unclassified salaries.

Gross	11,600
GF/GP	11,600

G. TOBACCO SETTLEMENT

The budget makes two changes to Tobacco Settlement funding. The first change is the reduction in Tobacco funding for Local Medical programs reflected in the Medicaid Special Financing item noted above. Second, \$15,000,000 in Tobacco funding is removed from the Elder Prescription Insurance Coverage (EPIC) program, under the assumption that over \$100 million in new Federal funds will be available for expansion of the program. The budget includes boilerplate language directing the Department to use carryforward Tobacco Settlement dollars to restore fully the EPIC program if the Federal funds do not become available.

Gross	94,999,300
Federal	115,000,000
Restricted	(5,000,700)
Tobacco	(15,000,000)
GF/GP	0

H. ECONOMIC ADJUSTMENTS

Standard economic adjustments are applied for salaries and wages, total retirement, insurance, rent, motor transport, workers' compensation, and building occupancy charges consistent with factors applied to all budgets. These adjustments include:

FTE	(33.0)
Gross	6,258,800
IDG	680,400
Federal	816,500
Local	2,090,300
Restricted	175,200
GF/GP	2,496,400

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Item	Gross	GF/GP
Salaries and Wages	\$8,597,000	\$4,204,200
Retirement	735,600	94,400
Other	1,726,800	1,248,700
Removal of Lump Sum Payout	(3,211,800)	(1,462,100)
Reduce 33 FTEs to Pay for Economics	(1,588,800)	(1,588,800)
Total	\$6,258,800	\$2,496,400

I. OTHER ISSUES

Other changes result in some minor funding and fund source shifts. Also reflected is the shift of FTEs to the Department of Information Technology.

FTE	(148.0)
Gross	6,416,000
IDG	186,400
Federal	792,500
Local	(301,300)
Private	(1,064,000)
Restricted	3,592,100
GF/GP	3,210,300

J. VETOES

The Governor vetoed five line items and a number of sections of boilerplate that are enumerated below:

1. Long Term Care Services line item (\$1,225,927,400 Gross) and associated boilerplate Sections 1680, 1684, 1684a, 1685, 1687, 1690, 1701, 1702, 1703, and 1712. Public Act 303 of 2002 contained \$1,469,003,900 in FY 2002-03 appropriations for Long Term Care Services. Adult Home Help, Personal Care Services, and the Home and Community Based Waiver program.
2. Home and Community Based Waiver line item (\$126,000,000 Gross) and associated boilerplate Sections 1681, 1688, 1689, and 1710.

Gross	(3,366,157,400)
Federal	(1,810,234,300)
Local	(127,126,400)
Restricted	(270,763,300)
GF/GP	(1,158,033,400)

3. Personal Care Services line item (\$20,816,200 Gross).
4. Adult Home Help line item (\$187,387,800 Gross).
5. Health Maintenance Organizations line item (\$1,581,188,600 Gross) and associated boilerplate Sections 1612(2), 1653, 1654, 1657(4), 1658, 1660(3)-(5), and 1661. Public Act 304 of 2002 contained \$1,476,781,100 in FY 2002-03 appropriations for Medicaid Health Maintenance Organizations.
6. Section 412, which would have required the Department to contract directly with the Salvation Army Harbor Light Program and Salvation Army Turning Point for the provision of non-Medicaid substance abuse services, a reduction of \$4,551,400 Gross and \$1,689,400 GF/GP.
7. Section 419, which would have allowed substance abuse coordinating agencies to carry forward up to 5% of their Federal block grant revenue.
8. Sections 430 and 431, which would have allowed community mental health services programs (CMHSPs) to carry forward up to 5% of unobligated capitation payments for non-Medicaid and Medicaid services.
9. Section 447, which would have required the Department to provide to CMHSPs a fixed net cost rate for services provided by the State (\$17,674,200 Gross and \$8,837,100 GF/GP).
10. Section 448, which would have required a CMHSP to comply with the HMO Quality Assurance Assessment provisions of the Insurance Code (MCL 500.224b) as if it were an HMO (\$188,027,600 Gross).
11. Section 449, which would have provided funding for persons with severe mental, developmental, physical, or emotional disabilities who are not currently served under the CMH multicultural services program (\$2,500,000 Gross and GF/GP).
12. Section 805, which would have required the Department to establish a Natalia Horak and Matthew Knueppel meningitis prevention fund (\$334,100 Gross and HMF).

13. Section 852, which would have required the Department to allocate Federal bioterrorism hospital preparedness funding to the specified hospitals/health systems (\$3,400,000 Federal).
14. Section 853, which would have allocated \$100 to support a research initiative between the Department, Michigan State University, and the Michigan Farm Bureau to address health concerns regarding transmission of animal-borne diseases to the human population. (\$100 Gross and GF/GP).
15. Section 1025, which would have directed funding to a Battle Creek diabetes and kidney program (\$50,000 Gross and GF/GP).
16. Section 1124, which would have allocated \$450,000 for the Statewide Fetal Infant Mortality Review Network if additional Federal funds became available.
17. Section 1136, which would have required the Department to allocate \$1,100,000 to child advocacy centers in the State (\$1,100,000 Gross and HMF).
18. Section 1508, which would have required the Department to allocate up to \$200,000 from the MICHild Administration funding to school district health center training and assistance (\$200,000 Gross and Federal).
19. Section 1645, which would have required the Department to implement a hospital adjustor formula that would be paid to eligible hospitals as a 27% increase in Medicaid inpatient, outpatient, and rehabilitation rates (\$6,000,000 Gross; \$3,325,200 Federal; \$2,674,800 GF/GP).
20. Section 1646, which would have required the Department to allocate \$1,000,000 to establish a hospital transitional services fund (\$1,000,000 Gross and GF/GP).